

# NUMAC OIL & GAS LTD.

1977 Annual Report

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## COMPANY PROFILE

Numac Oil & Gas Ltd., incorporated in Alberta, is primarily a Canadian-owned and-based natural resource company whose main area of interest and activity is Western Canada. Since its incorporation in 1963, the Company has maintained an increasingly active exploration program for oil and gas, including the acquisition of strategic reservations, licences and permits in areas of high potential. This continuing program has now put Numac in a key position to capitalize on large oil and gas reserves in Alberta, British Columbia and the Mackenzie Delta, and has provided the Company with an excellent position in the Oil Sands at Surmont-Athabasca area. The majority of the Company's gas reserves are capped pending market arrangements.

The Company is also involved in uranium exploration in Northern Saskatchewan, real estate in the Edmonton area, and oilfield construction in Alberta and the Mackenzie Delta.

The Company's shares are listed on the Toronto and American Stock Exchanges.

AR18

*Financial  
Report  
to  
Shareholders*

THREE MONTHS ENDED  
MARCH 31, 1977

**NUMAC** OIL & GAS LTD.

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**NUMAC** OIL & GAS LTD.

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**CONSOLIDATED STATEMENT OF EARNINGS**  
**THREE MONTHS ENDED MARCH 31, 1977**

	1977	1976
<b>REVENUE</b>		
Gross operating revenue .....	\$2,571,245	\$2,463,356
Mackenzie Delta income .....	200,000	200,000
Investment and other income .....	177,682	100,231
	<u>2,948,927</u>	<u>2,763,587</u>
<b>EXPENSES</b>		
Operating .....	653,173	667,128
General and administrative ..	133,982	114,992
Interest on long-term debt ...	289,248	284,194
Other interest .....	162,120	93,355
Depreciation, depletion and amortization .....	271,237	224,412
	<u>1,509,760</u>	<u>1,384,081</u>
<b>EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST .....</b>	<u>1,439,167</u>	<u>1,379,506</u>
<b>INCOME TAXES</b>		
Current		
(Provincial royalty tax credit).	(151,500)	(90,105)
Deferred .....	608,974	617,722
	<u>457,474</u>	<u>527,617</u>
	981,693	851,889
<b>MINORITY INTEREST .....</b>	<u>6,700</u>	<u>8,564</u>
<b>NET EARNINGS .....</b>	<u>\$ 974,993</u>	<u>\$ 843,325</u>
<b>NET EARNINGS PER SHARE</b>	22.0¢	19.5¢

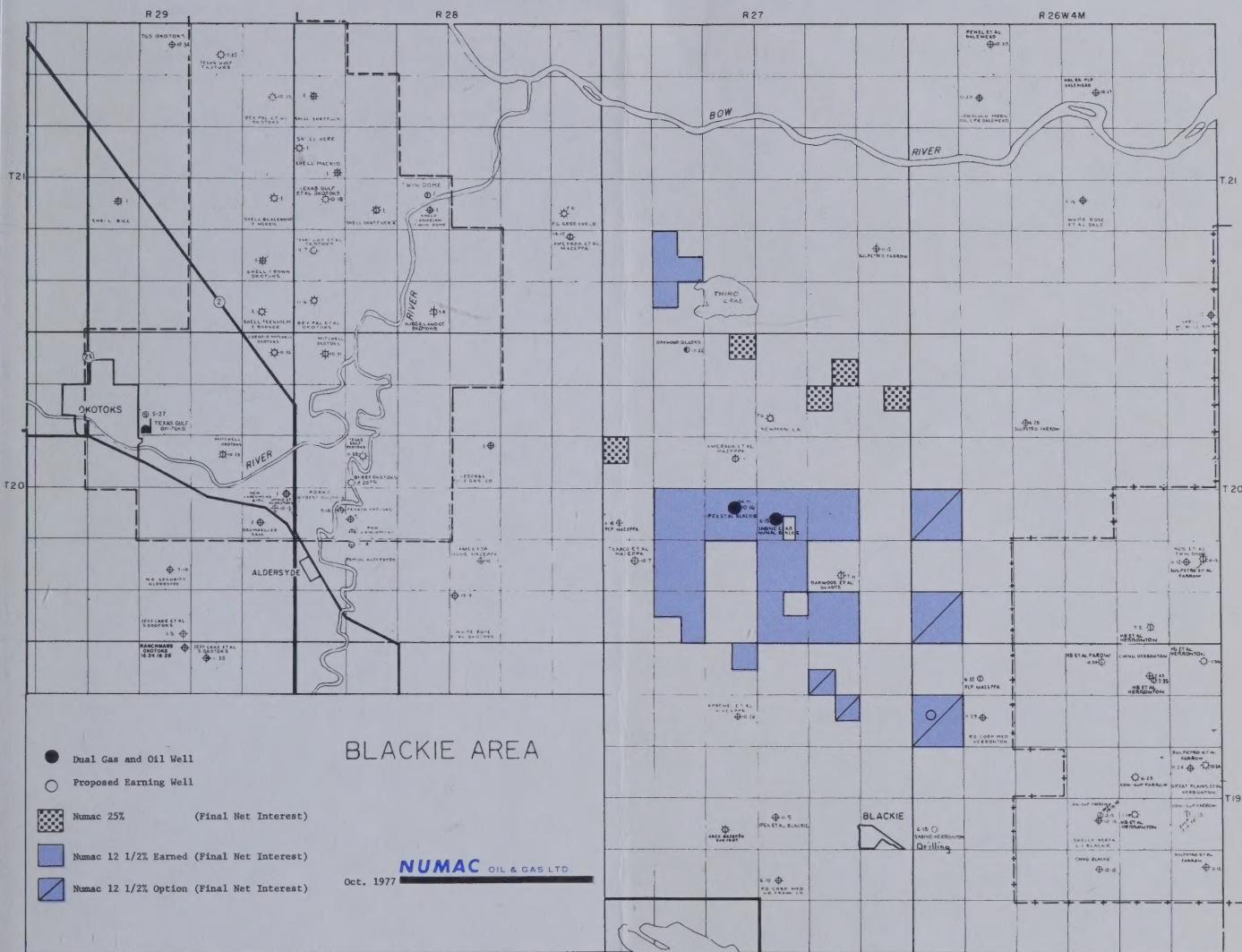
**CONSOLIDATED STATEMENT OF CHANGES  
IN FINANCIAL POSITION**  
**THREE MONTHS ENDED MARCH 31, 1977**

	1977	1976
<b>SOURCE OF FUNDS</b>		
Operations		
Net earnings .....	\$ 974,993	\$ 843,325
Charges not requiring funds		
Depletion, depreciation and amortization .....	271,237	224,412
Deferred income taxes .....	608,974	617,722
Other .....	6,700	12,098
	<u>1,861,904</u>	<u>1,697,557</u>
Funds from operations .....	1,861,904	1,697,557
Proceeds of long-term debt ..	347,856	—
Proceeds of sale of fixed assets	222,093	13,410
	<u>2,431,853</u>	<u>1,710,967</u>
<b>USE OF FUNDS</b>		
Resource properties .....	1,556,888	3,473,378
Equipment .....	52,811	101,569
Reduction of long-term debt .	75,000	222,700
	<u>1,684,699</u>	<u>3,797,647</u>
<b>INCREASE(DECREASE) IN WORKING CAPITAL .....</b>	747,154	(2,086,680)
<b>WORKING CAPITAL (DEFICIENCY) JANUARY 1 .</b>	<u>(1,411,897)</u>	<u>3,112,303</u>
<b>WORKING CAPITAL (DEFICIENCY) MARCH 1 ....</b>	<u>\$ (664,743)</u>	<u>\$1,025,623</u>

*W. S. McGregor*

Edmonton, Alberta  
May 11, 1977

W.S. McGregor  
President



## BLACKIE DISCOVERY

Numac recently participated in a triple zone discovery at Blackie, Alberta. Two wells have now been completed three quarters of a mile apart, and each well has gas in the Belly River zone at 3,800 feet, oil in the Mississippian at 6,800 feet and gas at 8,300 feet in the

Devonian. Although the pay section of the first well is yet to be defined, the second well tested oil from a 43 foot pay section in the Mississippian. A development program is planned for all three zones.



# **CONSOLIDATED STATEMENT OF EARNINGS (unaudited)**

	Three Months Ended September 30		Nine Months Ended September 30	
	1977	1976	1977	1976
<b>REVENUE</b>				
Gross operating income	\$ 2,746,538	\$ 2,381,649	\$ 7,535,398	\$ 6,768,302
Investment and other income .....	135,752	195,995	711,709	603,101
	<u>2,882,290</u>	<u>2,577,644</u>	<u>8,247,107</u>	<u>7,371,403</u>
<b>EXPENSES</b>				
Operating .....	731,207	781,644	1,926,784	2,142,065
General and administrative .....	96,415	105,053	333,898	332,563
Interest on long-term debt .....	216,571	249,333	744,084	793,800
Other interest .....	133,814	208,693	432,199	448,634
Depreciation and depletion .....	317,595	251,127	905,737	695,569
Minority interest .....	12,988	(2,969)	38,500	30,975
	<u>1,508,590</u>	<u>1,592,881</u>	<u>4,381,202</u>	<u>4,443,606</u>
<b>EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS .....</b>	<u>1,373,700</u>	<u>984,763</u>	<u>3,865,905</u>	<u>2,927,797</u>
<b>INCOME TAXES</b>				
Current (Provincial royalty tax credit) .....	(170,000)	(100,005)	(477,000)	(281,589)
Deferred .....	576,439	450,145	1,633,067	1,281,409
	<u>406,439</u>	<u>350,140</u>	<u>1,156,067</u>	<u>999,820</u>
<b>NET EARNINGS BEFORE EXTRAORDINARY ITEMS ...</b>	<u>967,261</u>	<u>634,623</u>	<u>2,709,838</u>	<u>1,927,977</u>
<b>GAIN ON SALE OF LAND (NET OF \$8,885 TAX, 1976 \$44,425)</b>	<u>—</u>	<u>—</u>	<u>30,829</u>	<u>154,147</u>
<b>WRITE-OFF OF INVESTMENT IN CANADIAN ARCTIC GAS PROJECT (NET OF \$888,450 TAX) (NOTE 1) ....</b>	<u>(1,001,800)</u>	<u>—</u>	<u>(1,001,800)</u>	<u>—</u>
<b>NET EARNINGS .....</b>	<u>\$ (34,539)</u>	<u>\$ 634,623</u>	<u>\$ 1,738,867</u>	<u>\$ 2,082,124</u>
<b>NET EARNINGS PER SHARE</b>				
Before extraordinary items .....	\$ .22	\$ .15	\$ .61	\$ .44
Net earnings .....	\$ (.01)	\$ .15	\$ .39	\$ .48
<b>FUNDS FROM OPERATIONS .....</b>	<u>\$ 1,874,313</u>	<u>\$ 1,283,842</u>	<u>\$ 5,218,003</u>	<u>\$ 3,891,632</u>
<b>FUNDS FROM OPERATIONS PER SHARE .....</b>	<u>\$ .42</u>	<u>\$ .29</u>	<u>\$ 1.18</u>	<u>\$ .90</u>



# **CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (unaudited)**

**Nine Months Ended  
September 30**

	<b>1977</b>	<b>1976</b>
<b>SOURCE OF FUNDS</b>		
Funds from operations .....	\$5,218,003	\$3,891,632
Proceeds from sale of land .....	66,000	1,644,984
Proceeds of long-term debt .....	720,584	—
Proceeds of sale of fixed assets .....	278,080	80,255
Other .....	764	8,506
	<u>6,283,431</u>	<u>5,625,377</u>
<b>USE OF FUNDS</b>		
Resource properties ...	5,230,626	6,741,594
Plants and equipment ..	1,146,683	664,243
Reduction of long-term debt .....	75,000	462,182
Increase in long-term receivable .....	—	1,340,000
	<u>6,452,309</u>	<u>9,208,019</u>
<b>DECREASE IN WORKING CAPITAL ...</b>	<u><b>\$ 168,878</b></u>	<u><b>\$3,582,642</b></u>

Note 1 Numac supported the Canadian Arctic Gas Study Limited application to transport natural gas from Alaska and the Mackenzie Delta as Numac has a substantial interest in 270,000 acres in the Delta area and felt it was the most economical and timely method of getting the gas to market. With the Canadian Government's denial of the application and the approval of the competing Alcan route, the Company's investment in the project appears to be unrecoverable and has been written off and charged against earnings as an extraordinary item of the period. It is a non-recurring item under which the Company has no further obligations.

Note 2 On July 15, 1977, the Financial Accounting Standards Board proposed that all oil and gas exploration and production be accounted for on the so-called "successful efforts" basis. Numac has accounted for its oil and gas activities on the "full cost" basis which has the most acceptance in the industry.

If the proposal is adopted, Numac would be required to adopt the "successful efforts" method in 1979 and would have to restate financial statements for prior years. Due to the magnitude of the data accumulation required, the effects of adopting the new method have not been determined. A restatement may reduce prior period earnings, however, over the life of the exploratory programs essentially the same earnings are reported. Funds from operations would not be affected.

# **TO THE SHAREHOLDERS**

## **FINANCIAL**

Financial results during the third quarter and the nine month period ended September 30, 1977 showed substantial improvement over the previous year.

<b>Highlights</b>	<b>1977</b>	<b>1976</b>	<b>Increase</b>
(before extraordinary items)*			
3 Months -			
Net earnings	\$ 967,261	\$ 634,623	52%
Funds from operations	1,874,313	1,283,842	46%
9 Months -			
Net earnings	2,709,838	1,927,977	41%
Funds from operations	5,218,003	3,891,632	34%

\* See Note 1 re extraordinary write-off

## **EXPLORATION AND DEVELOPMENT**

Numac has an active drilling program under way in Alberta and British Columbia and several of the Company's recent gas successes in both provinces will be connected to market facilities during the winter.

During the period under review, Numac drilled thirty-one wells in Alberta and British Columbia. Three oil wells were drilled in the Red Earth and Utikuma areas and two wells at Blackie. Seventeen wells were cased for gas and nine were dry holes.

The government of British Columbia recently announced "old gas" in the province will increase at the wellhead by 13¢ per Mcf and "new gas" by 18¢ and these increases will further encourage our aggressive exploratory and development program. The impact of the increases are much more significant considering the fact that no portion of them are subject to provincial royalty in that province. Numac has been very active in acquiring leases and reservations in British Columbia. As an example, seventeen parcels were acquired at

(over)

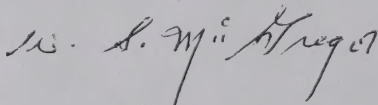
the August Crown Sale in areas such as Parkland, Red Creek, Fireweed-Jeans, Redeye and Pickell.

#### SURMONT HEAVY OIL

As mentioned in our June 30th Report to Shareholders, an experimental fracture to attain horizontal communication between wells was planned on the Company's 120,000 acre oil sands property at Surmont, Alberta. Seventy-five percent of the cost of this project was supplied by the Alberta Oil Sands Technology and Research Authority and Stage I of the project is now nearing completion. Further studies and analyses of the results are under way and will continue during the next few months.

#### MACKENZIE DELTA, N.W.T.

Sunoco, under its Mackenzie Delta Exploration Agreement, plans a deep well on Numac's property approximately three miles north of Sunoco's last season's successful oil and gas discovery on Garry Island. This well is scheduled to commence in January.



Edmonton, Alberta  
November 10, 1977

W. S. McGregor  
President

AR18

# Report to Shareholders

NINE MONTHS  
ENDED  
SEPTEMBER 30, 1977

**NUMAC** OIL & GAS LTD.



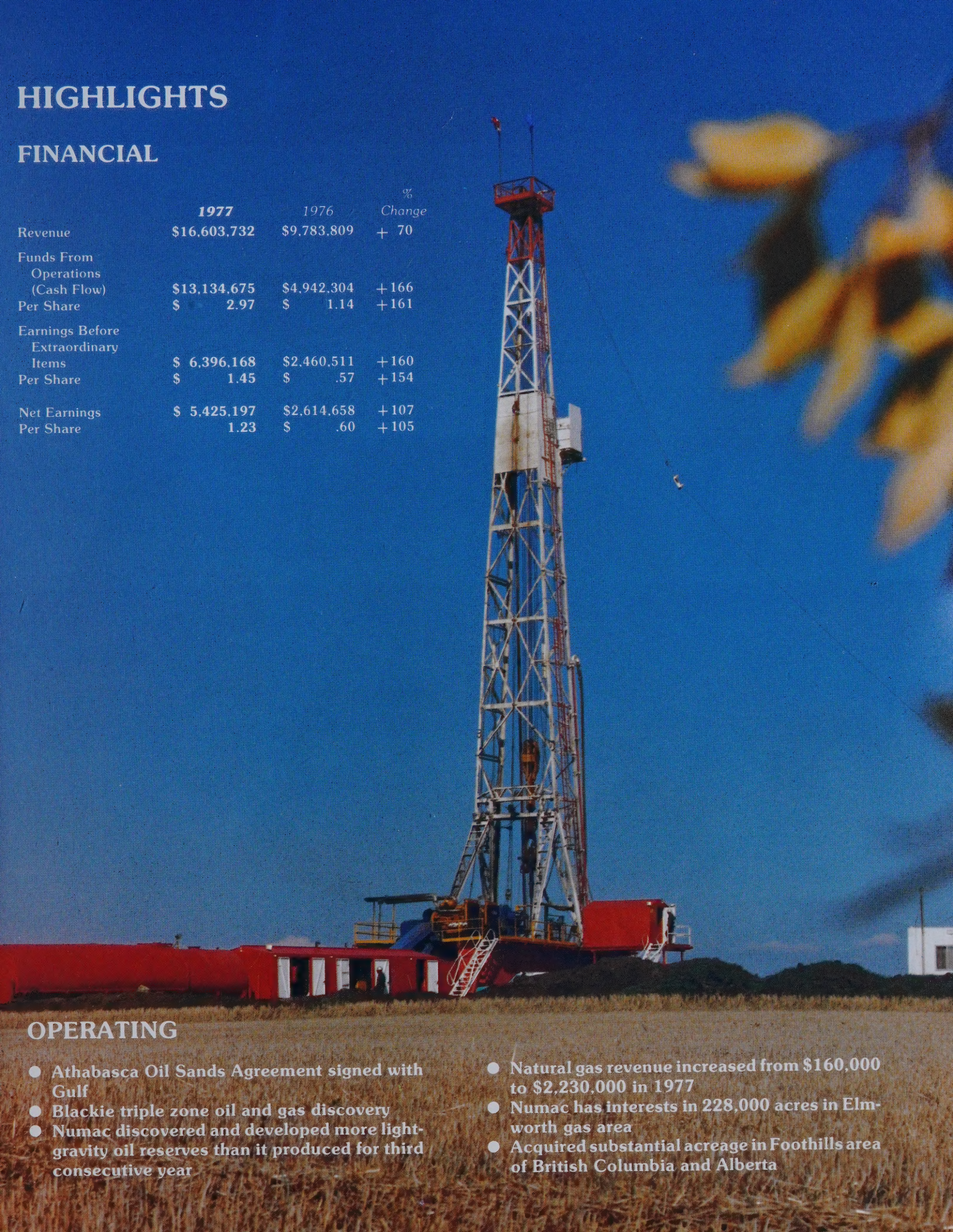
# HIGHLIGHTS

## FINANCIAL

	1977	1976	% Change
Revenue	\$16,603,732	\$9,783,809	+ 70
Funds From Operations (Cash Flow) Per Share	\$13,134,675 \$ 2.97	\$4,942,304 \$ 1.14	+166 +161
Earnings Before Extraordinary Items Per Share	\$ 6,396,168 \$ 1.45	\$2,460,511 \$ .57	+160 +154
Net Earnings Per Share	\$ 5,425,197 1.23	\$2,614,658 \$ .60	+107 +105

## OPERATING

- Athabasca Oil Sands Agreement signed with Gulf
- Blackie triple zone oil and gas discovery
- Numac discovered and developed more light-gravity oil reserves than it produced for third consecutive year
- Natural gas revenue increased from \$160,000 to \$2,230,000 in 1977
- Numac has interests in 228,000 acres in Elmworth gas area
- Acquired substantial acreage in Foothills area of British Columbia and Alberta





## PRESIDENT'S REPORT TO SHAREHOLDERS

Nineteen seventy-seven was the most successful year since incorporation of the Company. Forty-three wells were drilled in Alberta and British Columbia, twenty-five of which were completed as successes. For the third successive year more light gravity oil reserves were discovered than were produced and sold. Gas production increased several fold and prices for both oil and gas increased substantially in accordance with National Energy Board guidelines. Cash flow in 1977 was \$13,135,000 as compared with \$4,942,000 in 1976 and net earnings of \$5,425,000 (after extraordinary write-off of \$1,002,000 invested in the Arctic Gas project) in 1977 compared favourably with \$2,615,000 the previous year. Numac has no long-term debt with the exception of 60%, or its pro rata interest, of a \$9,000,000 mortgage on "Petroleum Plaza", the Company's twin-tower office complex in Edmonton.

The Company spent approximately \$11,000,000 exploring for and developing oil and gas in 1977 and will spend approximately \$14,000,000 in 1978 provided drilling rigs are available. All the funds for the increased exploration budget will be generated internally and more than 95% of the budget is allocated to Alberta and British Columbia. A gas supply surplus has developed in Alberta which will take some time to work off, probably eventually by way of sales to the United States. British Columbia, however, has a present requirement for an additional 200 million cubic feet of gas per day. Numac has capped gas wells in several fields in B.C. which are being tied into markets this year and the Company management is increasing the thrust for the development of additional reserves and sales in that province.

Probably the most significant farmout since incorporation of our Company was signed with Gulf Oil Canada Limited in December of 1977 covering Numac's heavy oil properties at Surmont, Alberta. The arrangement with Gulf Oil is explained in greater detail within the body of this report.

In addition to the Company's British Columbia exploration successes, other programs are of significance. Sunoco commenced a 12,000 foot well early in February on our 20% carried interest lands in the Mackenzie Delta and further details are referred to in the exploration report.

Other areas of interest to be drilled during 1978 are West Pembina, where Numac and associates have three prospects, several gas prospects on the Company's 228,000 acre land holdings in the Elsworth area, and at least two highly prospective deep gas wells in the Alberta foothills at Thistle and Red Cap. Also a continuous drilling program is planned for our recent Blackie discovery area.

Since year-end, Imperial Oil as operator an-



nounced uranium occurrences in 13 out of 17 holes drilled at Midwest Lake, North Central Saskatchewan. The property is approximately one mile wide and five miles long and the discovery is located near the centre of the holdings and thus well protected. Numac is obligated to assume 10% of all costs through to production but will have an additional 15% which will be carried without interest charges through to and including the mill, for a total Numac interest of 25%. This significant discovery will be important to Numac's shareholders. Detailed information will be released by the operator as drilling and other work progresses.

I am pleased to report that the Board of Directors, since year-end, declared the Company's first semi-annual dividend of 15¢ per share (Canadian) on the common stock. The dividend is at the annual rate of 30¢ per share.

Numac has never been in better financial shape and the commencement of a dividend policy will not impair the Company's increasing exploration budget.

We would like to take this opportunity to express our appreciation and thanks to Lawrence L. Bell of Toronto and Lloyd F. Stevens of London, Ontario, who are retiring from the Board in June. Under recent amendments to the Alberta Companies Act, one half of the directors of Alberta public companies must be residents in the Province of Alberta. In order to assist us in complying, Mr. Bell and Mr. Stevens have chosen not to stand for re-election. Both have made valuable contributions over the years, we are grateful for their wise counsel freely given in the past, and they will be missed.

The achievements referred to in this report could not have been attained without the dedicated efforts of the Company's employees. It is my pleasure to commend them on behalf of the Board for their devotion to the success of the Company.

On behalf of the Board of Directors

A handwritten signature in dark ink, appearing to read "W. S. McGregor".

W. S. McGregor  
President and Managing Director

March 10, 1978



# OIL AND GAS EXPLORATION

The Company spent over \$10 million on drilling, acquiring acreage and conducting seismic in 1977. Numac participated in 43 wells of which 19 were cased for gas, 3 for oil, 3 for both oil and gas, and 18 were abandoned. Twenty-six of these wells were drilled in Alberta and 17 in British Columbia.

## BRITISH COLUMBIA

Considerable seismic has been run on the 20,000 acre YOYO permit and the 30,000 acre MILO permit in each of which Numac has a 50% interest. Both areas should be drilled on Devonian prospects in 1978.

A well will be drilled to evaluate the Mississippian and Triassic on the Company's 37,000 acre one-third interest lands at TRUTCH. A Mississippian gas discovery was made immediately south of this block.

Numac and partners will drill a Triassic test in the TOMMY LAKES area where the Company has varied interests in an 81,000 acre spread. Numac has a one-third interest in this well. A well will be drilled in the BUCKINGHORSE area to test the Triassic Sands on a subsurface structural high. This block has 36,000 acres in which Numac has a 40% working interest.

In the SILVER area (map on page 5) the Company has a 50% interest in 5 Bluesky (Cretaceous) gas wells that are estimated to go on stream in April of 1978. Numac's net production will be approximately 4 million cubic feet per day from this field. The B.C. government is presently building a gas pipeline from Rigel, northwest to Pickell, where it splits and picks up gas at the SILVER and DAHL gas fields. Numac has a 50% interest in 6,910 acres in the Dahl area where a well will be drilled.

Numac participated as to a 50% interest in a very significant discovery in the FIREWEED-JEANS area in 1977 (map on page 5). This is our second Buick Creek Sand (Cretaceous) gas well in this immediate area. These wells will be on stream in early 1978. A number of development offset wells will also be drilled in this area in 1978. The BIRCH area offsets the Fireweed-Jeans area to the northeast where Numac has two gas wells which should go on stream in 1978.

In 1978 locations will be drilled at BUICK CREEK and MONTENAY (NORTH) where the Company has a good acreage position. Numac has a 50% interest in a gas well in the Buick Creek area which will be on stream by the spring of 1978.

Numac purchased land at RED CREEK, PARKLAND and CHARLIE LAKE. These areas may see exploratory drilling in 1978 if rigs are available.

Numac has over 550,000 acres of land in British Columbia where the demand for gas is very strong.

## ALBERTA

HAIG RIVER is an area south of Rainbow where

Numac has a one-third interest in 6 shallow gas wells on a 23,000 acre gas licence. Two of these wells will be on stream, producing from the Bluesky and Mississippian, in the spring of 1978.

Depending upon the availability of rigs, further drilling will be carried out at RAMBLING where the Company has 4 gas wells and interests in 53,000 acres. This area lies 10 miles north of the pipeline facilities in the Worsley area.

Forty miles southeast of Rambling, at DIXON-VILLE, is Numac's main gas producing area with 6 Bluesky-Gething (Cretaceous) gas wells on stream producing an average of 4 million cubic feet per day for the Company's interest. The Company will be drilling 2 more wells in this area in 1978.

Numac will drill a number of wells developing and exploring the Granite Wash oil in the RED EARTH and UTIKUMA fields (see page 7). Exploration for Granite Wash oil will be carried out in areas to the north of Red Earth at OTTER and REDFISH.

The Company has 228,000 acres in the ELM-WORTH area (see page 6).

Numac put its second gas plant on stream, at FOX CREEK, where the Company has a 50% interest in 3 Lower Cretaceous gas wells which produce over 4 million cubic feet per day. Three other wells in this area have been cased for gas in which Numac has a 30.65% interest. Further drilling is planned.

Numac purchased two parcels in the WEST PEMBINA Nisku oil play (map on page 5). Reef anomalies have been interpreted from the seismic carried out over these parcels. The Company has a 25% interest just over one mile south and 2.5 miles northwest of Home Oil's reported reef discoveries in Twp. 50, Rge. 10. Numac has a one-third interest just over 2 miles east of Chevron's 15-20-50-12 W5M reported Nisku oil well. Numac anticipates drilling on these lands in 1978 if rigs are available.

Numac purchased an interest in two areas of great gas potential. These areas mark the Company's entry into the Alberta Foothills play and are named RED CAP and THISTLE (map on page 5). At Red Cap the Company has a 25% interest in 2,560 acres on a seismically controlled Mississippian thrust. To the west of Red Cap is the Thistle area where the Company has a 25% interest in 20,000 acres purchased for \$6.2 million. This play is a seismically interpreted thrust sheet that should have large gas reserves in both the Mississippian and Devonian.

One of the Company's most important discoveries in 1977 was at BLACKIE in Southern Alberta. Further discussion can be found on page 7.

The Company has a 25% interest in 3 Cardium gas wells at RADIAL, 35 miles south of Pembina. There are 2 gas wells and a location to be drilled at BOW ISLAND in southeast Alberta.

# NORTHWEST TERRITORIES

BRITISH COLUMBIA

ALBERTA

SILVER

FIREWEED

WEST  
PEMBINA

EDMONTON

THISTLE  
RED CAP

CALGARY

## AREAS OF ACTIVITIES

### BRITISH COLUMBIA

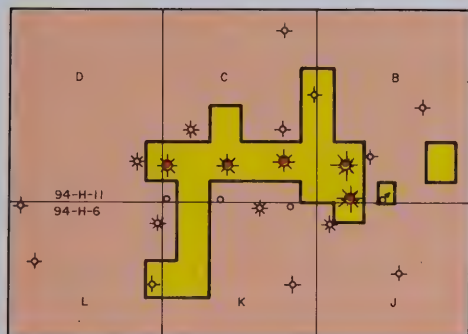
### ALBERTA

1. KOMIE
2. YOYO
3. HELMET
4. MILO
5. SHEKILIE
6. JUNIOR
7. TRUTCH
8. TOMMY LKS.
9. BUCKINGHORSE
10. SILVER
11. DAHL
12. FIREWEED-BIRCH
13. BUICK CREEK
14. ALTARES
15. RED CREEK
16. PARKLAND

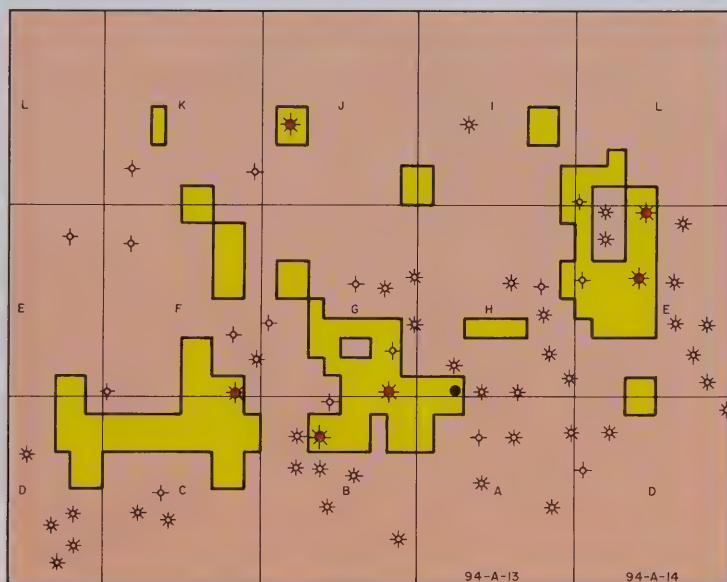
1. HAIG
2. RAMBLING
3. DIXONVILLE
4. LOON LAKE
5. RED FISH
6. RED EARTH
7. UTIKUMA
8. SURMONT
9. ELMWORTH
10. FOX CREEK
11. WEST PEMBINA
12. RED CAP
13. THISTLE
14. RADIAL
15. BLACKIE
16. BOW ISLAND

UNITED STATES



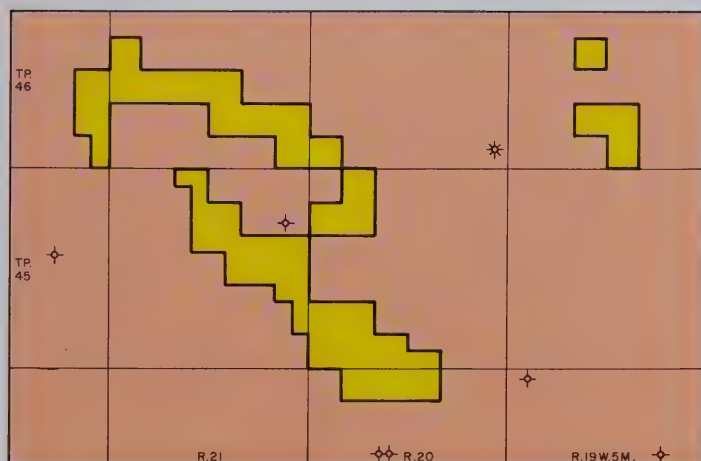
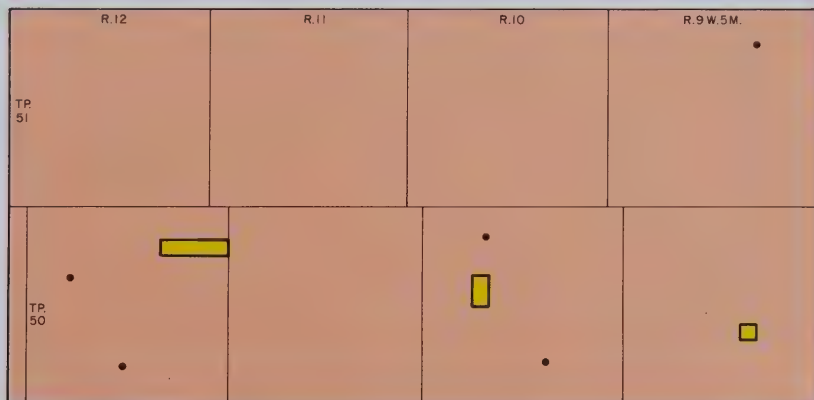


## SILVER

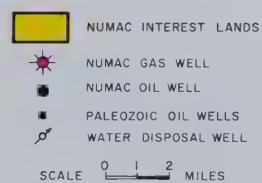


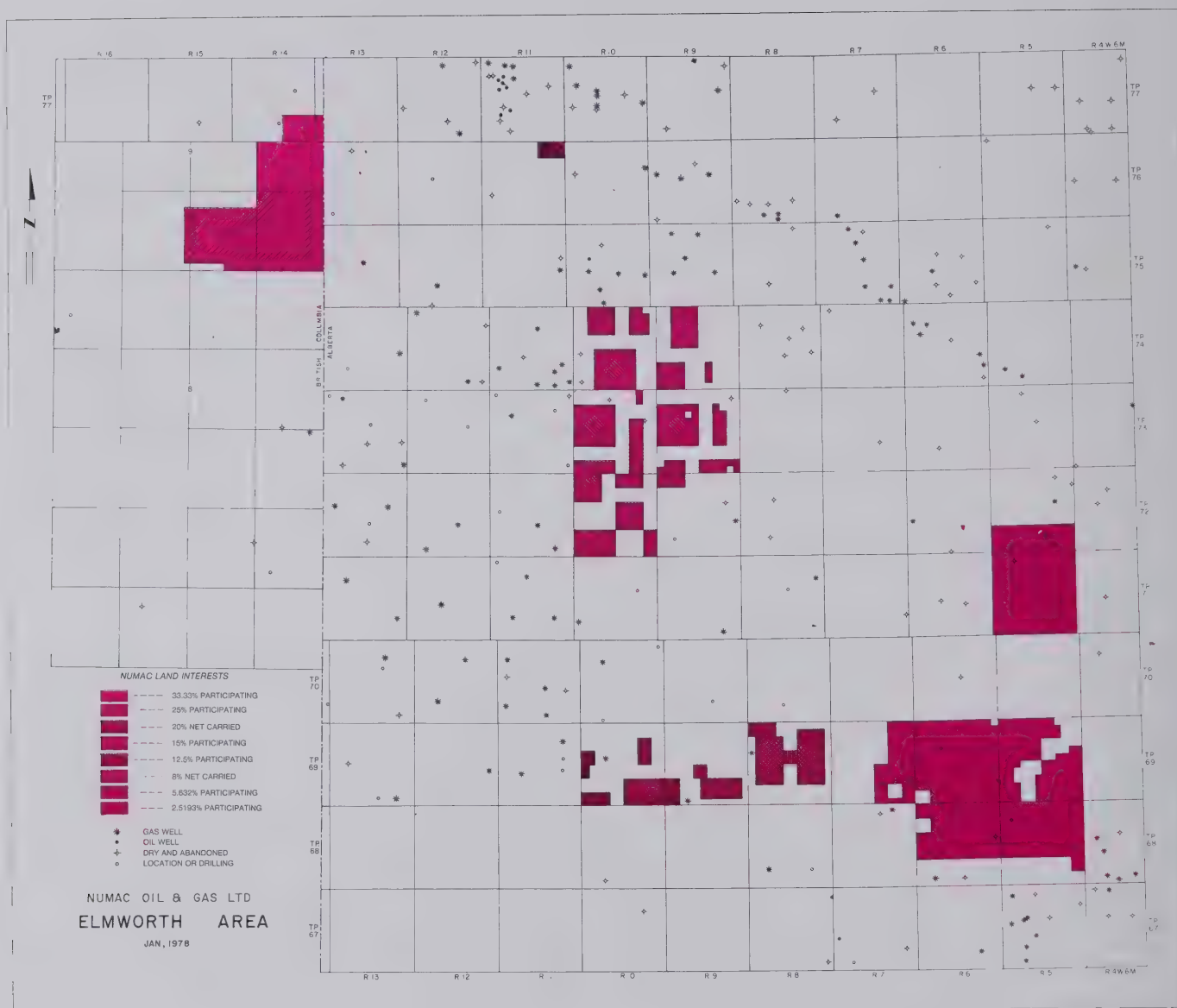
## FIREWEED

## WEST PEMBINA



## THISTLE - RED CAP





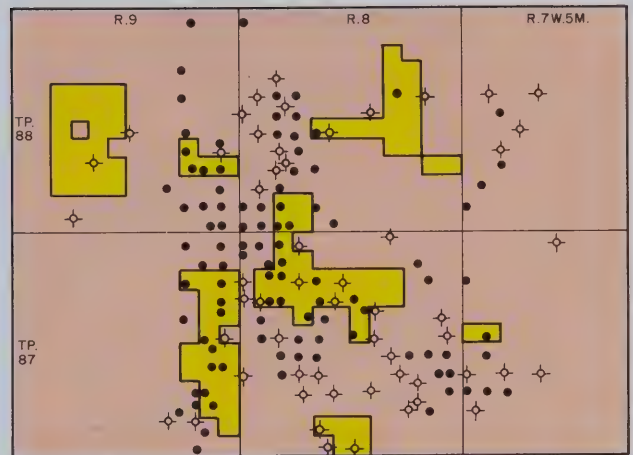
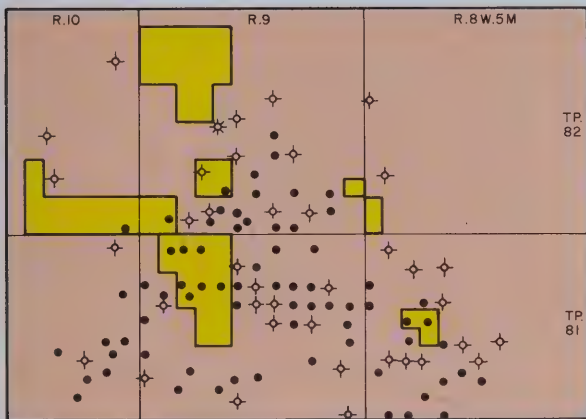
## ELMWORTH

The ELMWORTH area has been the most significant gas play to develop in Alberta in the past year. Numac has varying interests in 228,000 acres in this play. To date, three gas wells have been drilled on a 20% net carried interest acreage. Numac will participate in two wells where it has a 15% working interest and one well where it has a 5.62% working interest. Numac also has an 8% carried interest in over 40,000 acres immediately off-setting the old Knopcik field where several new gas wells have been drilled.

This Elmworth play should extend into Numac's DAWSON acreage in British Columbia where the Company holds a 25% working interest in 32,000 acres which was purchased for \$6,200,000 in December with Gulf Oil, Imperial Oil and Uno-Tex. Numac also has a one-third interest in 14,000 acres immediately north of the above lands. Seismic coverage has been obtained on this acreage and drilling is to follow in 1978.



## UTIKUMA



## RED EARTH

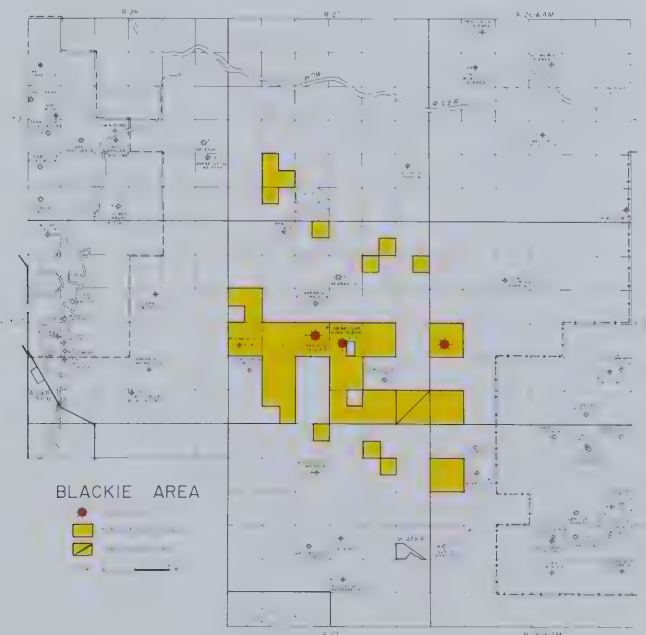
### RED EARTH – UTIKUMA

The RED EARTH and UTIKUMA fields are the Company's main oil producing areas. This oil is produced from the Granite Wash and Slave Point formations. In 1977 Numac completed two 100% interest wells at Red Earth, one 50% interest well at

Utikuma and one dry hole was drilled on the north edge of the Utikuma field. Several development wells will be drilled in these areas in the coming year. Numac purchased a one-third interest in 960 acres immediately west of the Utikuma field in 1977.

### BLACKIE

BLACKIE was one of Numac's most important discoveries in 1977. The Company now holds varying interests from 12.5% to 25% in 11,000 acres in this area. Three wells have been drilled by Numac and its partners, two of which have gas in the Basal Belly River at 3,800 feet, oil in the Mississippian at 6,800 feet and gas in the Devonian at 8,300 feet and the third well was cased for Mississippian oil and Basal Belly River gas. One of the wells has produced 140 barrels of oil per day from a 43 foot pay section in the Mississippian. A continuous drilling program will be sustained in this area.



## ATHABASCA OIL SANDS

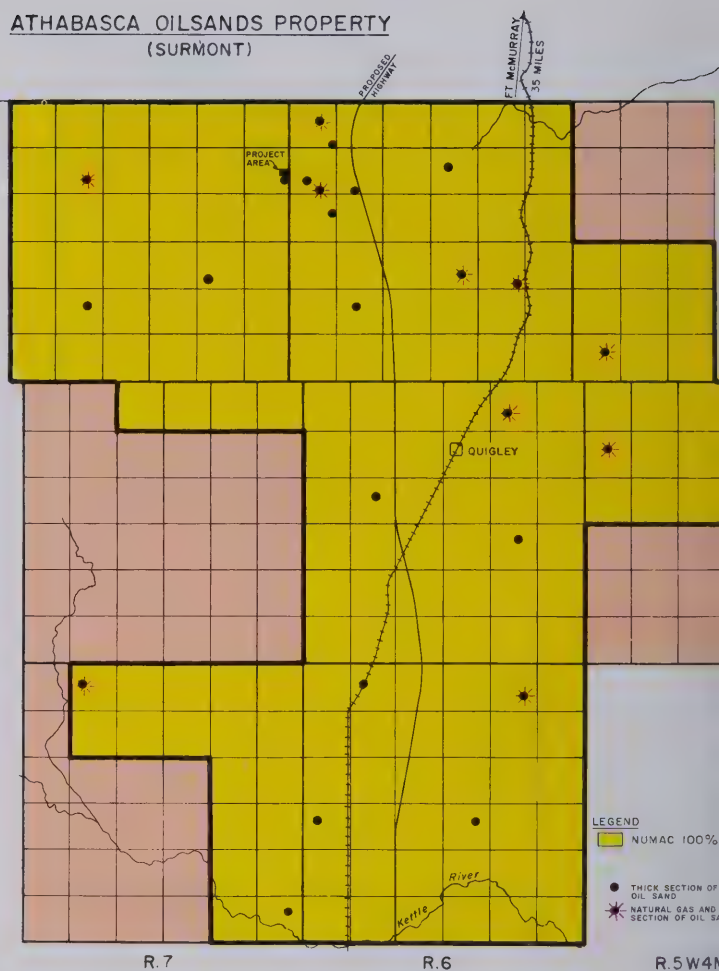
A Farmout Agreement was signed in December of 1977 with Gulf Oil Canada Limited on Numac's wholly-owned 119,000 acre Oil Sands property. This property has oil reserves in place in excess of 20 billion barrels.

Numac has received \$6 million in cash and will receive additional substantial payments in four instalments on December 15 of each year from 1978 through 1981. The total monies received will exceed \$5.75 per share. Even more important to our shareholders than the cash involved is that Numac will retain a net carried interest, or free ride, in all production from any and all plants built on the property. Furthermore, Numac has the right to examine feasibility studies for sixty days on each proposed plant, with the privilege of converting the carried interest to a 12.5% participating interest. The cash payments, plus the flexibility of the options, are an extremely favourable arrangement for an independent company such as Numac.

Outside consultants estimate the property will support up to four plants, each producing 125,000 barrels of oil per day. A decision to participate at 12.5% in just one of these plants will entitle Numac to 15,625 gross barrels per day. In other words, Numac's option to participate entitles our Company to 2.5 billion barrels of the reserves in place. Because plants capable of producing 125,000 barrels of oil per day are presently estimated to cost between \$3 billion and \$4 billion each, it is extremely advantageous to Numac shareholders to have a reputable integrated oil and gas company with the expertise and financial capabilities of Gulf Oil Canada Limited in charge of future development of the Company's Surmont property.

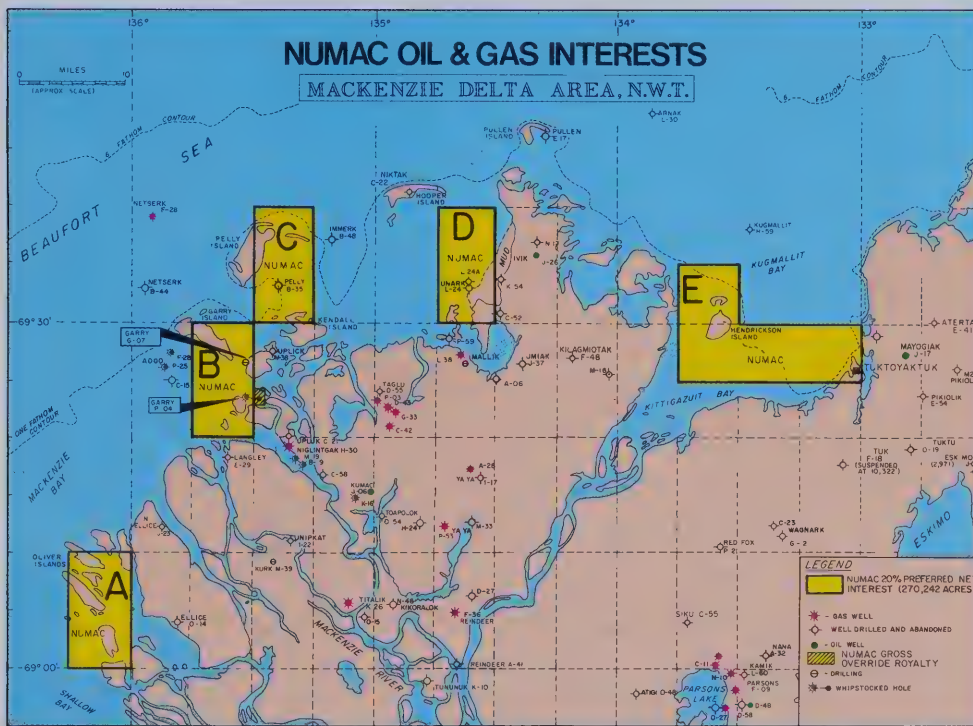
The experimental project previously announced on the property has been substantially completed and evaluation of the results will continue into 1978.

ATHABASCA OILSANDS PROPERTY  
(SURMONT)



*Oil Sands Experimental Project.*





## MACKENZIE DELTA

Numac's Delta interests consist of 270,242 acres that have been farmed out to Sunoco E & P Limited. This left Numac with a net preferred carried interest (a share of income from first sales of oil or gas) which will increase to 20% after recovery of costs. In addition, Numac presently receives \$200,000 per year during the exploration stage.

During 1977 Sun drilled one well, Unark L-24A,

however, mechanical problems encountered below 12,000 feet prevented the well from being drilled to the projected depth of 15,000 feet, resulting in an incomplete evaluation of the prospect. Early in 1978 Sun will commence drilling a well 3 miles north of the Garry P-04 discovery well at no cost to Numac on Permit W-949.

## URANIUM AND OTHER MINERAL EXPLORATION

Since year-end Imperial Oil, as operator, announced uranium occurrences in 13 out of 17 holes drilled at Midwest Lake, North Central Saskatchewan. The property is approximately one mile wide and five miles long and the discovery is located near the centre of the holdings and thus well protected. Numac is obligated to assume 10% of all costs through to production but will have an additional 15% which will be carried without interest charges through to and including the mill, for a total Numac interest of 25%. This significant discovery will be important to Numac's shareholders. Detailed information will be released by the operator as drilling and other work progresses.

Exploration has also been going on in the Carswell-Cluff claims. This area is adjacent to the AMOK Cluff Lake uranium finds.

The licences on the Princeton coal deposits in British Columbia are in good standing as are the claims on the Selwyn lead-zinc area of the Yukon.



SASK. URANIUM PROSPECTS

- POST PRECAMBRIAN SEDIMENTS
- PRECAMBRIAN SHIELD
- ATHABASCA FM.
- NUMAC LAND INTERESTS
- ★ MAJOR URANIUM DISCOVERIES

## LAND HOLDINGS

Petroleum and natural gas and mineral holdings of the Company as of December 31, 1977 were (petroleum and natural gas broken down as to main areas of activity):

	<i>Gross</i>	<i>Net</i>
Alberta	1,040,819	253,401
British Columbia	544,866	197,240
Other areas (including Mackenzie Delta and United Kingdom)	385,922	65,060
	<u>1,971,607</u>	<u>515,701</u>
Minerals	96,097	22,637
	<u><u>2,067,704</u></u>	<u><u>538,338</u></u>

Numac's aggressive land acquisition program continued in areas of prime interest. Emphasis was placed on the gas prone areas of northeastern British Columbia because of the ready marketability of gas reserves and on the Province of Alberta. The main areas concerned and the related active exploration programs are discussed in detail under the Exploration section of this Report.

The Company has budgeted for a similarly active land acquisition program during 1978 and as of the date of this writing has participated in key purchases in the Pembina (West) and Thistle-Red Cap (Lovett River) areas of Alberta and on the Elmworth trend in British Columbia.

## NUMAC RESERVES

After deducting the production of 566,400 barrels of oil during the year, Numac's year-end remaining proven and probable reserves are estimated to be 11,759,000 barrels which is a net increase of 406,300 barrels over those reported for December 31, 1976.

During 1977 Numac's first substantial gas production occurred. The Dixonville gas plant was on stream for the full year and the Fox Creek facility, which originally went on stream during August at reduced rates, was placed on full production during December. It is estimated that proven and probable gas reserves discovered during the year amounted to 27,852 mmcf. The farm out of the Surmont property reduced the year-end reserves to 87,283 mmcf.

Proven reserves are those quantities of crude oil and natural gas which, upon analysis of all geological and engineering data appear, within reasonable certainty, to be recoverable from known reservoirs under economic and operating conditions then existing. These reserves are limited to those expected to be recovered at commercial rates, under current operating conditions and under existing regulatory practices. Probable reserves, in the case of oil, are considered to be those reserves commercially recoverable as the result of the beneficial effects which may be derived from enhanced recovery systems or more favorable performance of the primary recovery mechanism, whereas, in the case of gas, probable reserves are based on potentially productive areas where the reservoir is under-developed but the area has been delineated by successful drilling.





## OTHER COMPANY ACTIVITIES

### REAL ESTATE

Numac through its subsidiary, Nu-Alta Developments Ltd., has a 60% interest in Petroleum Plaza, a prestigious fully-rented office complex consisting of two interconnecting, 14 storey towers, located in Edmonton. Numac also owns commercial land in the Edmonton area which management assembled due to its strategic location in relation to the future development required to service the Athabasca Tar Sands and major northern pipeline construction.

### OILFIELD CONSTRUCTION

1977 was another successful year for the oilfield construction division which is primarily engaged in road building and other oilfield activities such as lease preparation and restoration and island building. This division has an enviable twenty-seven year history of success in this type of work. Reduced activity in the Mackenzie Delta has resulted in a greater emphasis being placed in Alberta where drilling activity is at record levels.

*Petroleum Plaza.*







Athabasca Oil Sands



# CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

	Year Ended December 31	
	1977	1976
<b>REVENUE</b>		
Operating revenue	\$10,320,802	\$ 8,987,036
Investment income	373,976	453,507
Gain on sale of securities	15,208	681
Supervision and sundry	177,808	81,073
Mackenzie Delta (Note 1)	200,000	200,000
Athabasca Oil Sands (Note 2)	5,441,431	—
Gain on sale of fixed assets	74,507	61,512
	<u>16,603,732</u>	<u>9,783,809</u>
<b>EXPENSE</b>		
Operating	2,677,864	2,957,714
General and administrative	482,019	449,834
Interest on long-term debt	872,249	1,122,021
Other interest	593,334	653,970
Depletion and depreciation	1,470,146	984,443
Minority interest	48,830	19,824
	<u>6,144,442</u>	<u>6,187,806</u>
<b>EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<u>10,459,290</u>	<u>3,596,003</u>
<b>INCOME TAXES (Note 1)</b>		
Current (Provincial royalty tax credit)	(672,347)	(403,546)
Deferred	4,735,469	1,539,038
	<u>4,063,122</u>	<u>1,135,492</u>
<b>EARNINGS BEFORE EXTRAORDINARY ITEMS</b>	<u>6,396,168</u>	<u>2,460,511</u>
<b>GAIN ON SALE OF LAND (NET OF TAX \$8,885; 1976 \$44,425)</b>	<u>30,829</u>	<u>154,147</u>
<b>INVESTMENT IN CANADIAN ARCTIC GAS PROJECT (NET OF TAX \$888,450) (Note 5)</b>	<u>(1,001,800)</u>	<u>—</u>
<b>NET EARNINGS</b>	<u>5,425,197</u>	<u>2,614,658</u>
<b>RETAINED EARNINGS, beginning of year</b>	<u>13,133,450</u>	<u>10,518,792</u>
<b>RETAINED EARNINGS, end of year</b>	<u>\$18,558,647</u>	<u>\$13,133,450</u>
<b>PER SHARE</b>		
Earnings before extraordinary items	\$1.45	\$0.57
Net earnings	\$1.23	\$0.60
Funds from operations (based on weighted average of shares outstanding)	\$2.97	\$1.14

**CONSOLIDATED BALANCE SHEET****ASSETS**

DECEMBER 31

**1977**

1976

**CURRENT ASSETS**

Cash	\$ 266,967	\$ 124,682
Marketable securities, at cost		
(Market value \$6,152,883; 1976 \$5,220,767)	<b>3,676,181</b>	5,260,784
Accounts receivable	<b>2,532,642</b>	2,103,546
Long-term receivables due within one year (Note 2)	<b>4,566,000</b>	60,000
Provincial royalty tax credit	<b>672,347</b>	403,546
Inventories, at lower of cost and net realizable value	<b>271,396</b>	395,713
Prepaid expenses and deposits	<b>22,135</b>	16,479
Total current assets	<b>12,007,668</b>	8,364,750

**LONG-TERM RECEIVABLES (Note 2)**

<b>17,092,121</b>	3,652,996
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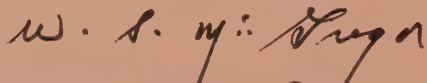

**FIXED ASSETS, at cost (Note 1)**

Buildings and land	<b>10,729,147</b>	10,577,452
Oil and gas properties – Canadian	<b>36,036,890</b>	28,214,430
– Other	<b>228,465</b>	244,753
Mining properties	<b>837,223</b>	829,642
Research costs	–	1,890,250
Production and other equipment	<b>6,714,826</b>	5,946,359
	<b>54,546,551</b>	47,702,886
Less: Accumulated depletion and depreciation	<b>7,774,758</b>	6,523,404
	<b>46,771,793</b>	41,179,482

**OTHER ASSETS**

–	1,161
<b>\$75,871,582</b>	<b>\$53,198,389</b>

ON BEHALF OF THE BOARD

 Director  
 Director



# LIABILITIES

## CURRENT LIABILITIES

Bank indebtedness	\$ 3,600,000	\$ 7,440,000
Notes payable	300,000	—
Accounts payable and accrued	2,081,764	1,771,925
Long-term debt due within one year (Note 3)	104,120	454,120
Deferred income	117,900	110,602
Total current liabilities	<u>6,203,784</u>	<u>9,776,647</u>

DEFERRED INCOME (Note 2)	17,012,378	719,207
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LONG-TERM DEBT (Note 3)	9,498,840	8,882,376
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DEFERRED INCOME TAXES (Note 4)	12,191,034	8,340,975
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MINORITY INTEREST	506,349	460,559
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# SHAREHOLDERS' EQUITY

## SHARE CAPITAL (Note 7)

Authorized		
5,000,000 shares without par value		
Issued		
4,425,566 shares (1976 - 4,424,066)	11,900,550	11,885,175

RETAINED EARNINGS	18,558,647	13,133,450
	<u>30,459,197</u>	<u>25,018,625</u>
	<u>\$75,871,582</u>	<u>\$53,198,389</u>

# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31

1977

1976

**FINANCIAL RESOURCES PROVIDED BY**

## Operations

Earnings before extraordinary items	<b>\$ 6,396,168</b>	\$ 2,460,511
Athabasca Oil Sands proceeds in excess of amount in earnings	<b>558,569</b>	—
Items not requiring financial resources		
Depletion and depreciation	<b>1,470,146</b>	984,443
Deferred income taxes	<b>4,735,469</b>	1,539,038
Other	<b>(25,677)</b>	(41,688)
<b>Funds from operations</b>	<b>13,134,675</b>	4,942,304
Reduction of long-term receivable	<b>66,000</b>	—
Athabasca Oil Sands agreement (Note 2)	<b>18,000,000</b>	—
Proceeds from disposals		
Land	—	1,644,984
Equipment	<b>284,539</b>	113,305
Long-term debt (Note 3)	<b>9,423,840</b>	—
Sale of treasury stock under Key Employee Stock Purchase Plan	<b>15,375</b>	909,563
Other	<b>1,162</b>	1,539
	<b>40,925,591</b>	7,611,695

**FINANCIAL RESOURCES USED FOR**

Resource properties	<b>10,048,322</b>	8,198,139
Plant and equipment	<b>1,348,987</b>	1,078,753
Reduction of long-term debt	<b>8,807,376</b>	616,406
Increase in long-term receivables	<b>13,500,000</b>	1,340,000
Increase in Key Employee Stock Purchase Plan loans	<b>5,125</b>	902,597
	<b>33,709,810</b>	12,135,895

**INCREASE (DECREASE) IN WORKING CAPITAL****7,215,781** (4,524,200)**WORKING CAPITAL (DEFICIENCY), beginning of year****(1,411,897)** 3,112,303**WORKING CAPITAL (DEFICIENCY), end of year****\$ 5,803,884** \$ (1,411,897)



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1977

## NOTE 1 – ACCOUNTING POLICIES

### (a) Principles of Consolidation

The consolidated financial statements include the accounts of all companies in which the Company has ownership of more than 50% of the voting share capital.

### (b) Oil and Gas Properties

The Company follows the full cost method of accounting whereby all costs related to exploration and development of oil and gas reserves are capitalized and accumulated in cost centres as follows:

- (1) Canadian (excluding Mackenzie Delta and Athabasca Oil Sands)
- (2) Mackenzie Delta
- (3) Athabasca Oil Sands
- (4) Outside Canada

Costs accumulated in the Canadian cost centre are depleted using the unit-of-production method based upon estimated recoverable reserves.

Costs in the Mackenzie Delta cost centre consist solely of the Company's net carried interest in the Delta which is recorded in the accounts at a nominal amount of \$1.00. All revenue received from these properties is recorded as income.

Costs in the Athabasca Oil Sands cost centre are recorded in the accounts at a nominal value of \$1.00. An agreement was entered into respecting these properties during 1977 as explained in *Note 2*.

Outside Canada costs have been capitalized pending the outcome of exploration and related activities in each area of interest. If exploration efforts are successful, these costs will be depleted on the unit-of-production method. Until sufficient reserves are developed, these costs are amortized at an annual rate of 10%.

### (c) Mining

Acquisition and exploration costs of mining properties are treated on a project basis wherein costs are not charged to expense unless a project is abandoned. Revenue from mining properties is not taken into income unless the proceeds exceed the total project cost.

### (d) Depreciation

Depreciation is provided on the straight line method based on the estimated useful life of the following assets:

- Production equipment at 7%
- Construction and other equipment at 10% to 20%

Real estate buildings are depreciated on the sinking fund method at 5% over a term of 40 years.

### (e) Income taxes

The Company follows the tax allocation method of accounting for income taxes. Under this method, deferred income taxes are recorded to the extent that income taxes, otherwise payable, are deferred by claiming capital cost allowances and exploration and development costs in excess of the depletion and depreciation provisions.

## NOTE 2 – LONG-TERM RECEIVABLES

	1977	1976
Receivable on Athabasca Oil Sands Agreement	\$18,000,000	\$ -
Receivable from sale of land	1,340,000	1,400,000
Receivable under the Key Employee Stock Purchase Plan ( <i>Note 7</i> )	2,250,497	2,245,372
Other	67,624	67,624
	<u>21,658,121</u>	<u>3,712,996</u>
Less: Due within one year	4,566,000	60,000
	<u>\$17,092,121</u>	<u>\$3,652,996</u>

In 1977 an agreement was reached with Gulf Oil Canada Limited with respect to the Company's Athabasca Oil Sands property whereby Gulf paid an initial consideration of \$6,000,000 and has agreed to pay an additional \$18,000,000 in four equal annual instalments commencing in 1978 with interest at 4.67%. Numac retains a net carried interest in the property as well as the right to convert to a 12 1/2% participating interest on any proposed oil sands plants.

In 1976 commercial land holdings were sold and the proceeds are receivable in annual instalments in varying amounts until 1981 with interest at 10%.

The gains derived from the above agreements are being taken into earnings on the instalment basis as follows:

	<i>Oil Sands Property</i>	<i>Land sale (extraordinary item before income taxes)</i>
1976	\$ –	\$ 198,572
1977	5,441,431	39,714
1978	4,081,000	43,652
1979	4,081,000	48,040
1980	4,081,000	185,183
1981	4,081,000	609,890
	<u>\$21,765,431</u>	<u>\$1,125,051</u>

### NOTE 3 – LONG-TERM DEBT

The consolidated long-term debt relates to and is secured by specific real estate properties and consists of the following in Canadian funds:

	<b>1977</b>	<b>1976</b>
8% mortgage due January 15, 1979	<b>\$ 150,000</b>	\$ 225,000
8% mortgage due December 1, 1978	<b>29,120</b>	58,240
Office complex financing – fully hedged \$8,700,000 U.S. income debenture bearing interest at 55% of Inter-Bank Euro-Dollar offer rate plus 1.25% (aggregating 4.89% at December 31, 1977) due August 1, 1979	<b>9,423,840</b>	–
– Euro-Dollar loan	<b>–</b>	9,053,256
	<b>9,602,960</b>	9,336,496
Less: Due within one year	<b>104,120</b>	454,120
	<b><u>\$9,498,840</u></b>	<b><u>\$8,882,376</u></b>

The long-term debt matures as follows:

	<i>Income Debenture (U.S. Funds)</i>	<i>Mortgages (Canadian Funds)</i>
1978	\$ –	\$104,120
1979	8,700,000	75,000

The office complex financing is the financing by the Company's 60% owned subsidiary, Nu-Alta Developments Ltd. It is significant that the Company is only liable for 60% of this income debenture.

### NOTE 4 – INCOME TAXES

The Company accounts for income taxes as set out in Note 1. At December 31, 1977, a subsidiary had an accumulated loss carry-forward totalling \$1,513,660 resulting from claiming capital cost allowance, interest and operating expenses for income tax purposes in excess of recorded expenses. The loss carry-forward expires as follows:

1978	\$782,976
1979	531,315
1980	32,355
1981	167,014

### NOTE 5 – CANADIAN ARCTIC GAS PROJECT

The Company, which has a substantial carried interest in 270,000 acres in the Mackenzie Delta area, had supported, through its investment in the Canadian Arctic Gas Study Limited, an application to transport natural gas from Alaska and the Mackenzie Delta. The application by CAGSL was rejected by the Federal Government in 1977 and as a result the Company's investment in the project is considered unrecoverable and has, therefore, been written off as an extraordinary item against the earnings of the current year. It is a non-recurring item under which the Company has no further obligations.



## **NOTE 6 – ANTI-INFLATION LEGISLATION**

The Company is subject to certain provisions of the Anti-Inflation Act which was enacted October 14, 1975 and provides for restraint of increases in profit margins, prices, dividends and compensation.

Oil and gas operations are exempt from the profit and price provisions of the Act as these are regulated by other government legislation. The Company believes it is in compliance with those provisions of the Act that are applicable to its operations.

## **NOTE 7 – SHARE CAPITAL**

Under the Key Employee Stock Purchase Plan, the Company has agreed to advance funds to a Trustee to be used by the Trustee for the purchase and immediate resale to key employees of shares of the Company's capital stock at the average sale price of the Company's shares on the day immediately preceding the transaction. During 1977, 1,500 shares were sold to the Trustee and resold to employees under the Plan for \$15,375 (1976, 88,500 shares for \$909,563).

At December 31, 1977, \$2,250,497 was receivable by the Company (\$2,245,372 at December 31, 1976) under the Plan and is included in "Long-Term Receivables".

## **NOTE 8 – REMUNERATION OF SENIOR OFFICERS AND DIRECTORS**

The remuneration paid to the senior officers of the Company in 1977 amounted to \$249,345 (1976 - \$232,119) and directors' fees amounted to \$6,250 (1976 - \$3,000).

## **NOTE 9 – SUBSEQUENT EVENT**

The Company declared its first dividend in 1978. A semi-annual dividend of 15¢ per share was declared on the outstanding capital stock of the Company, payable March 6, 1978 to shareholders of record at the close of business on February 17, 1978. Due to Canadian Anti-Inflation Board guidelines, the declaration and payment of the second 15¢ dividend is restricted until after October 14, 1978.

## **AUDITORS' REPORT**

To the Shareholders of  
Numac Oil & Gas Ltd.

We have examined the consolidated balance sheet of Numac Oil & Gas Ltd. and subsidiaries as at December 31, 1977 and 1976 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Numac Oil & Gas Ltd. and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the other subsidiary.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1977 and 1976 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

EDMONTON, Canada  
February 21, 1978

WINSPEAR HIGGINS STEVENSON & CO.  
Chartered Accountants

## MANAGEMENT DISCUSSION

### 1977 COMPARED TO 1976

Total revenue for the year increased 70% to \$16,604,000 from \$9,784,000 in 1976. Oil and gas volumes and price increases accounted for production revenues increasing by 72% to \$5,310,000. The largest item contributing to the total revenue increase was the initial income from the Athabasca Oil Sands agreement which amounted to \$5,441,000. The real estate income decreased by 23% to \$2,162,000 due entirely to the sale of the restaurant in January 1977. Oilfield construction revenue decreased by 8% to \$2,924,000 because of decreased activity in the Mackenzie Delta.

Earnings before extraordinary items increased from \$2,461,000 to \$6,396,000. The write-off of the Company's investment in the Arctic Gas Study which amounted to \$1,002,000 and the \$31,000 gain on a land sale brought net earnings to \$5,425,000 up from \$2,615,000 in 1976. The only extraordinary item in 1976 was the \$154,000 gain on land sold.

Operating expenses declined 9% in 1977 due to the sale of the restaurant division in January, 1977. General administrative expenses increased by 7% to \$482,000. Interest on long-term debt is entirely from the real estate financing and decreased by 22% to \$872,000 because of lower prime lending rates and from converting the debt to a lower interest rate Income Debenture in August of 1977. Other interest decreased by 9% to \$593,000 because of substantially lower interest rates during the year partially offset by increased oil and gas exploration and development activities. Depletion doubled in 1977 to \$980,000, mainly because of the large gas production increases, as well as a higher factor resulting from increased exploration expenditures.

Funds generated from operations increased by \$8,192,000 to \$13,135,000, a reflection of the Company's earnings growth in 1977.

Working capital at December 31, 1977 amounted to \$5,804,000 which is an increase of \$7,216,000 over the deficit of \$1,412,000 at the end of 1976. The agreement relating to the farm out of the Athabasca Oil Sands is the primary factor in this increase.

### 1976 COMPARED TO 1975

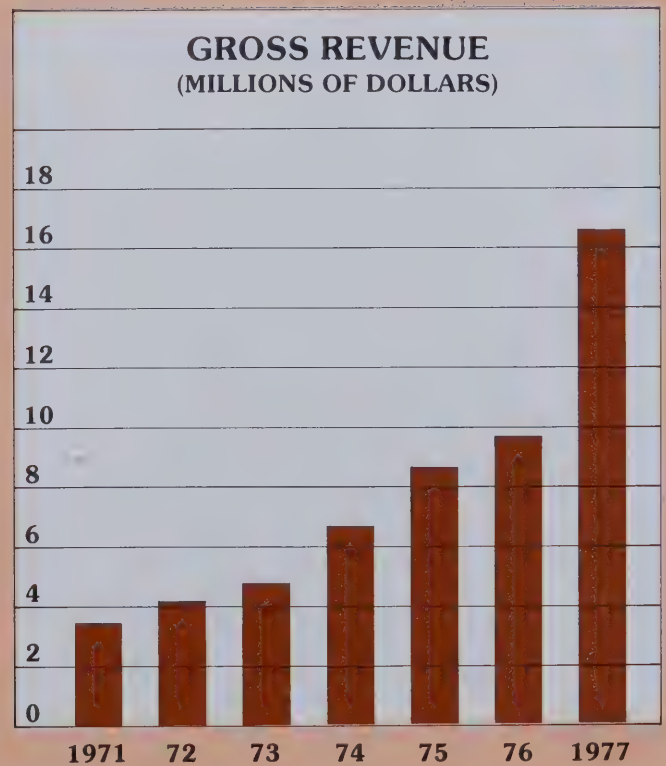
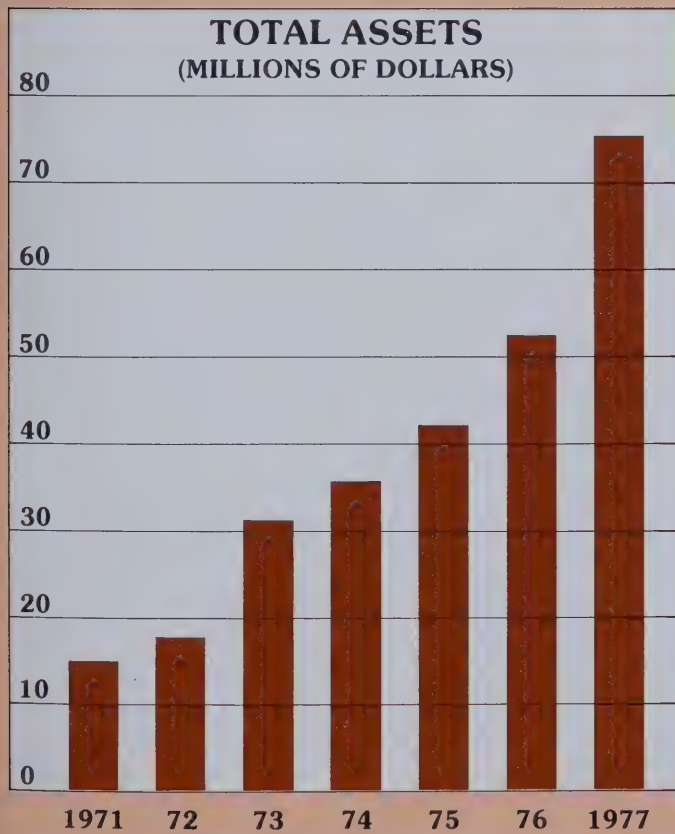
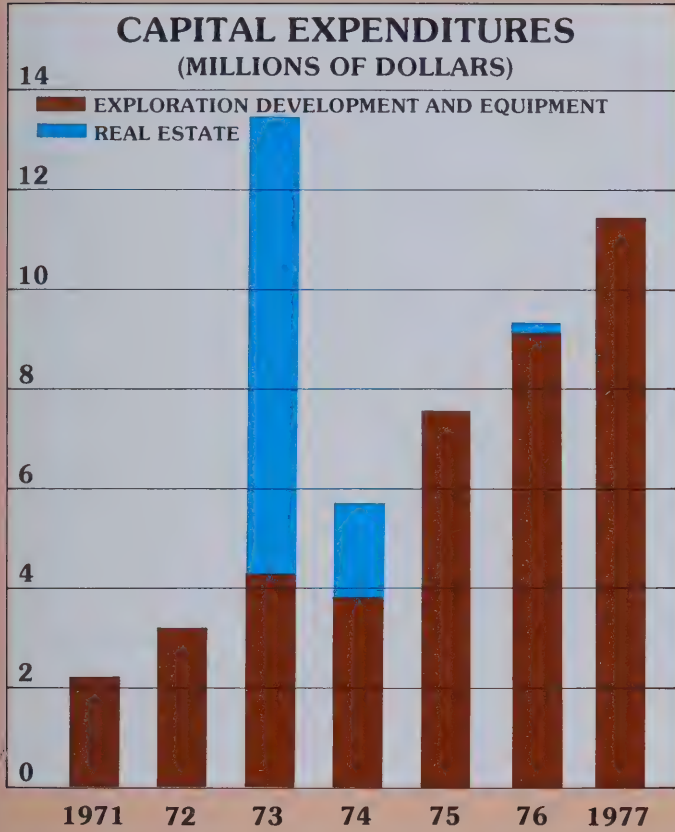
Net earnings before the extraordinary gain on sale of land increased by 5% to \$2,261,000 and from 44¢ to 57¢ per share in 1976. The gain on the land sale taken into income in 1976 amounted to \$154,000 as explained in *Note 2* to the financial statements which brings net earnings to 60¢ per share.

Total revenue for 1976 increased by 12% due primarily to an 18% increase in oil and gas revenue, 16% increase in oilfield construction and a 2% increase in real estate revenues. Oil production reduced by 1% while gas production was 232 mmcf versus 35 mmcf in 1975.

Operating expenses increased by 18% in 1976 mainly due to increased oilfield construction division costs as well as increased well workover costs.

Long-term interest expense increased by \$128,000 as a result of increased interest rates and hedging costs on the real estate financing. Other interest expense increased by \$538,000 due to increased bank borrowings required to finance increased gas and oil exploration and development activities.





Numac Oil & Gas Ltd. and Subsidiaries

# TEN YEAR REVIEW

## FINANCIAL

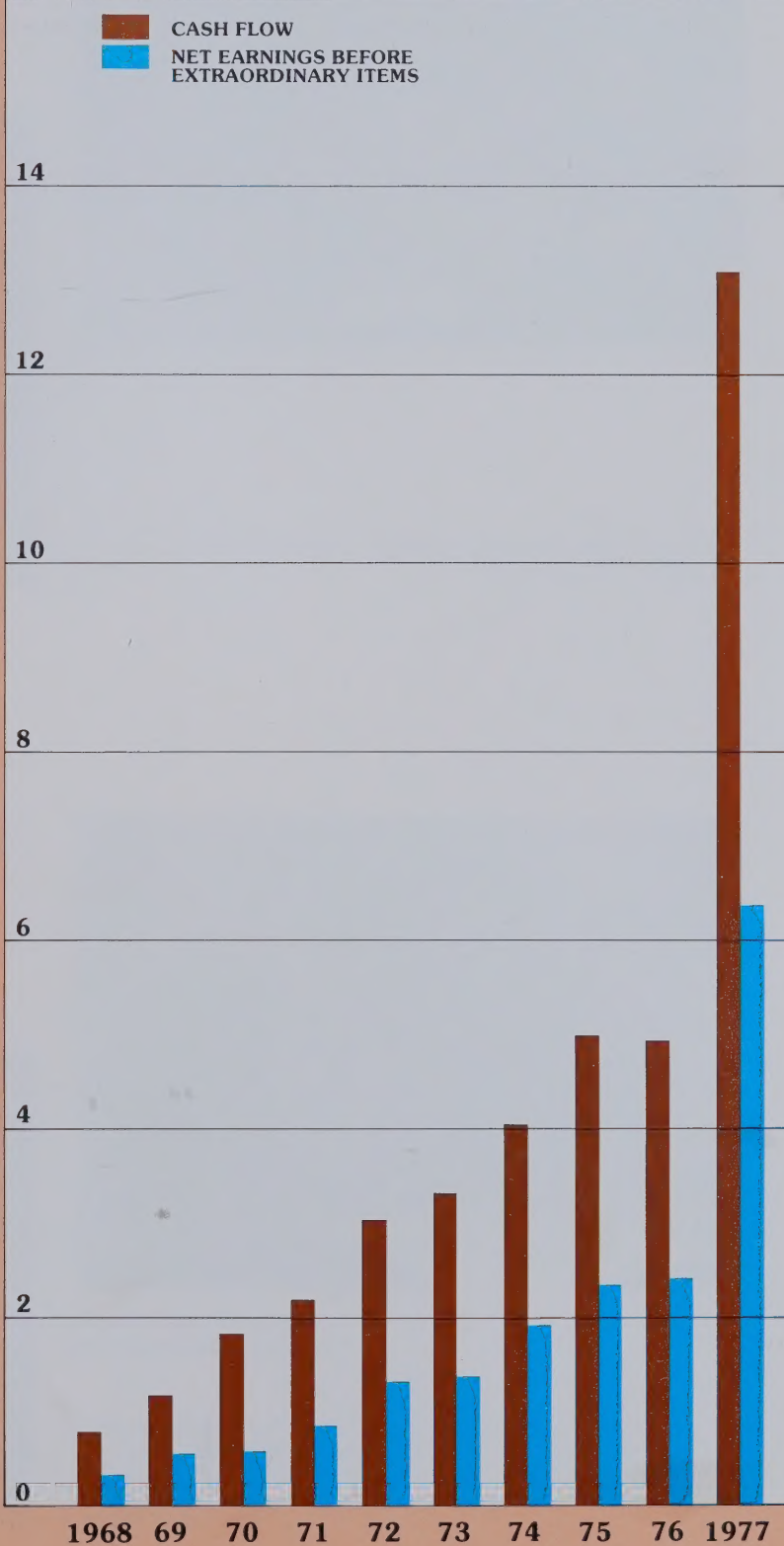
(\$Thousands, except per share amounts)

	1977	1976	1975	1974	1973	1972
<b>REVENUE</b>						
Oil and gas division	\$11,129	\$ 3,374	\$ 2,851	\$ 2,081	\$ 1,588	\$ 1,127
Oilfield construction	2,924	3,165	2,731	2,568	2,516	2,554
Real estate	2,162	2,791	2,723	1,551	—	—
Investment income	389	454	394	481	498	431
<b>TOTAL</b>	<b>16,604</b>	<b>9,784</b>	<b>8,699</b>	<b>6,681</b>	<b>4,602</b>	<b>4,112</b>
<b>EXPENSE</b>						
Operating	2,679	2,958	2,506	1,747	910	773
General and administrative	482	450	420	322	282	254
Interest on long-term debt	872	1,122	994	701	—	—
Other interest	593	654	116	75	29	15
Depletion, depreciation and amortization	1,470	984	933	994	1,040	811
Income taxes — current	(672)	(404)	(381)	(253)	—	—
— deferred	4,735	1,539	1,734	1,177	944	919
Minority interest	49	20	32	26	—	—
<b>TOTAL</b>	<b>10,208</b>	<b>7,323</b>	<b>6,354</b>	<b>4,789</b>	<b>3,205</b>	<b>2,772</b>
<b>EARNINGS BEFORE EXTRAORDINARY ITEMS</b>	<b>6,396</b>	<b>2,461</b>	<b>2,345</b>	<b>1,892</b>	<b>1,397</b>	<b>1,340</b>
<b>EXTRAORDINARY ITEMS — Net of Tax</b>	<b>(971)</b>	<b>154</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>47</b>
<b>NET EARNINGS</b>	<b>\$ 5,425</b>	<b>\$ 2,615</b>	<b>\$ 2,345</b>	<b>\$ 1,892</b>	<b>\$ 1,397</b>	<b>\$ 1,387</b>
<b>PER SHARE</b>						
Before extraordinary	\$ 1.45	\$ 0.57	\$ 0.54	\$ 0.44	\$ 0.33	\$ 0.32
Net earnings	\$ 1.23	\$ 0.60	\$ 0.54	\$ 0.44	\$ 0.33	\$ 0.33
<b>CASH FLOW FROM OPERATIONS</b>	<b>\$13,135</b>	<b>\$ 4,942</b>	<b>\$ 4,998</b>	<b>\$ 4,060</b>	<b>\$ 3,362</b>	<b>\$ 3,009</b>
<b>PER SHARE</b>	<b>\$ 2.97</b>	<b>\$ 1.14</b>	<b>\$ 1.15</b>	<b>\$ 0.94</b>	<b>\$ 0.79</b>	<b>\$ 0.72</b>
<b>CAPITAL EXPENDITURES</b>	<b>\$11,397</b>	<b>\$ 9,277</b>	<b>\$ 7,433</b>	<b>\$ 5,681</b>	<b>\$13,483</b>	<b>\$ 3,079</b>
<b>FIXED ASSETS, Net</b>	<b>\$46,772</b>	<b>\$41,179</b>	<b>\$33,446</b>	<b>\$27,028</b>	<b>\$22,459</b>	<b>\$10,036</b>
<b>OPERATING PRODUCTION</b>						
Oil - thousands of barrels	566	540	548	537	569	456
Gas - millions of cubic feet	1,811	232	35	39	49	50
<b>LAND - thousands of acres</b>						
Gross	2,068	2,006	1,731	1,405	1,640	1,579
Net	538	632	584	487	588	564
<b>WELLS DRILLED</b>						
Completed	25	25	27	15	14	10
Abandoned	18	26	18	7	6	6
	<b>43</b>	<b>51</b>	<b>45</b>	<b>22</b>	<b>20</b>	<b>16</b>



1971	1970	1969	1968
\$ 1,128	\$ 1,245	\$ 1,176	\$ 880
1,907	1,384	957	412
-	-	-	-
439	351	289	94
3,474	2,980	2,422	1,386
964	827	932	386
241	184	158	112
-	-	-	-
34	46	48	33
712	685	495	301
-	-	-	-
604	656	217	160
21	54	62	50
2,576	2,452	1,914	1,042
898	528	508	344
694	-	79	-
\$ 1,592	\$ 528	\$ 587	\$ 344
\$ 0.21	\$ 0.13	\$ 0.12	\$ 0.10
\$ 0.38	\$ 0.13	\$ 0.14	\$ 0.10
\$ 2.214	\$ 1.869	\$ 1.220	\$ 806
\$ 0.53	\$ 0.45	\$ 0.29	\$ 0.23
\$ 2.161	\$ 1.620	\$ 1.367	\$ 2.315
\$ 8.200	\$ 7.961	\$ 7.164	\$ 6.404
454	558	532	392
30	10	-	-
1,188	1,173	1,428	2,514
335	409	477	1,160
8	3	8	13
10	1	6	2
18	4	14	15

## FINANCIAL REVIEW (MILLIONS OF DOLLARS)







Officers: left to right – Bill Wilson - Ron Larmour - Don Baker - Stew Montgomery - Bill McGregor.



Left to right – Jeanette Wozny - Louise Schwindt - Carol Lacroix - Kathy Field.



Senior Personnel: left to right – Walt Holowach - Wayne Fleming - Don Baker - John Dwernychuk.



Field Action.



# NUMAC OIL & GAS LTD.

## BOARD OF DIRECTORS

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Chicago, Illinois

LAWRENCE L. BELL, *Retired*  
Toronto, Ontario

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*Felmont Oil Corporation*  
New York, N.Y.

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Edmonton, Alberta

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Edmonton, Alberta

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*Numac Oil & Gas Ltd.*  
Edmonton, Alberta

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*General Counsel,*  
*Pitcairn Incorporated*  
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*F. H. Deacon, Hodgson Inc.*  
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*Allpak Products Limited*  
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Vice-President, Engineering

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Vice-President & Treasurer

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Vice-President & Secretary

WILFRED J. WILSON  
Vice-President, Exploration

ALEXANDER N. Mac IVER  
Assistant Secretary

### **Head Office**

9915 - 108 Street, Petroleum Plaza - South Tower,  
Edmonton, Alberta, T5K 2G8

### **Registrars and Transfer Agents**

The Royal Trust Company, Edmonton, Montreal, Toronto  
The Canadian Bank of Commerce Trust Company, New York

### **Auditors**

Winspear Higgins Stevenson & Co., Edmonton, Alberta

### **Solicitors**

Jackson, Arlette and MacIver, Edmonton, Alberta

### **Listing**

Toronto Stock Exchange  
American Stock Exchange

*Numac Oil & Gas Ltd. was incorporated under the laws of the Province of Alberta on March 16, 1963. The Annual Meeting of Shareholders will be held at 9:00 a.m., June 28, 1978 in the Edmonton Plaza, Edmonton, Alberta.*

**NUMAC** OIL  
& GAS  
LTD.  
1977 Annual Report